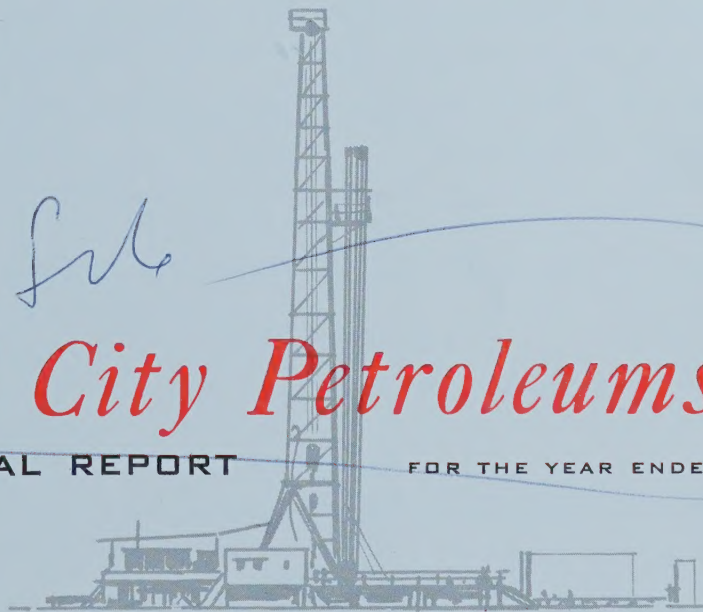


AR51

Mill City Petroleums Limited

ANNUAL REPORT

FOR THE YEAR ENDED DECEMBER 31, 1967



1967

Thirty-Ninth Annual Report

To December 31, 1967

of

MILL CITY PETROLEUMS LIMITED

(Incorporated under the Dominion Companies Act, on August 7, 1929)

AUTHORIZED CAPITAL

6,000,000 shares of no par value

Issued: 5,695,334

REGISTERED OFFICE

210 Fina Building, 736 - 8th Avenue South West
Calgary 2, Alberta, Canada

OFFICERS and DIRECTORS

Roger D. Paugh, President Calgary, Alberta
Frank Brown, Vice-President Calgary, Alberta
Robert Clive Brown, Secretary-Treasurer Calgary, Alberta
Archibald Park Newall, Jr. Calgary, Alberta
Archibald Park Newall, Sr. Calgary, Alberta

REGISTRAR

Guaranty Trust Company of Canada Calgary, Alberta

TRANSFER AGENT

Guaranty Trust Company of Canada Calgary, Alberta
Toronto, Ontario

AUDITORS

Peat, Marwick, Mitchell & Co., Chartered Accountants Calgary, Alberta

BANKERS

Royal Bank of Canada, 8th Avenue and Centre Street Calgary, Alberta

LISTED

Toronto Stock Exchange

Report of the Directors

TO THE SHAREHOLDERS:

The annual report and financial statements of the Company for the year ended December 31, 1967 are presented herewith.

FINANCIAL

During the year under review cash expenditures exceeded revenues by the sum of \$157,967, thereby increasing the Company's current working capital deficiency position to \$448,629 at the year end. However, in this regard, it will be noted from the financial statements accompanying this report that Mill City is the beneficial owner of shares of the capital stock of associated companies having a market value at the year end of \$2,409,657.

Net earnings in 1967 were substantially reduced in comparison with the preceding year due, in the main, to non-recurring profits arising out of the sale of securities and petroleum and natural gas properties. Furthermore the Company's net income position and its deficiency of working capital referred to above has been affected by an increase in exploration and development activity involving expenditures of \$668,353 for this purpose in 1967 as follows, compared to \$300,874 expended in 1966.

Acquisition of petroleum, natural gas and mining interests		\$390,840
Drilling Costs:		
Non-productive wells	\$109,419	
Productive wells	7,891	117,310
Geological, geophysical and airborne radioactivity surveys		51,488
Rentals and other carrying charges		57,003
Production equipment		51,712
	Total	<u>\$668,353</u>

EXPLORATION AND DEVELOPMENT

GENERAL

During the year the Company increased its direct participation in exploration and development programs in the search for petroleum and natural gas reserves, base metals and coal deposits as above mentioned. In addition the Company has vigorously pursued its heretofore successful policy of farming out large land tracts to major and independent companies for considerations involving cash, work commitments and overriding royalties with a

view to increasing its exposure in the industry at minimum cost. As a result of this policy the Company received \$491,988 in cash during the year and realized a net profit in the sum of \$462,924.

FARMOUT AND SALES AGREEMENTS NEGOTIATED

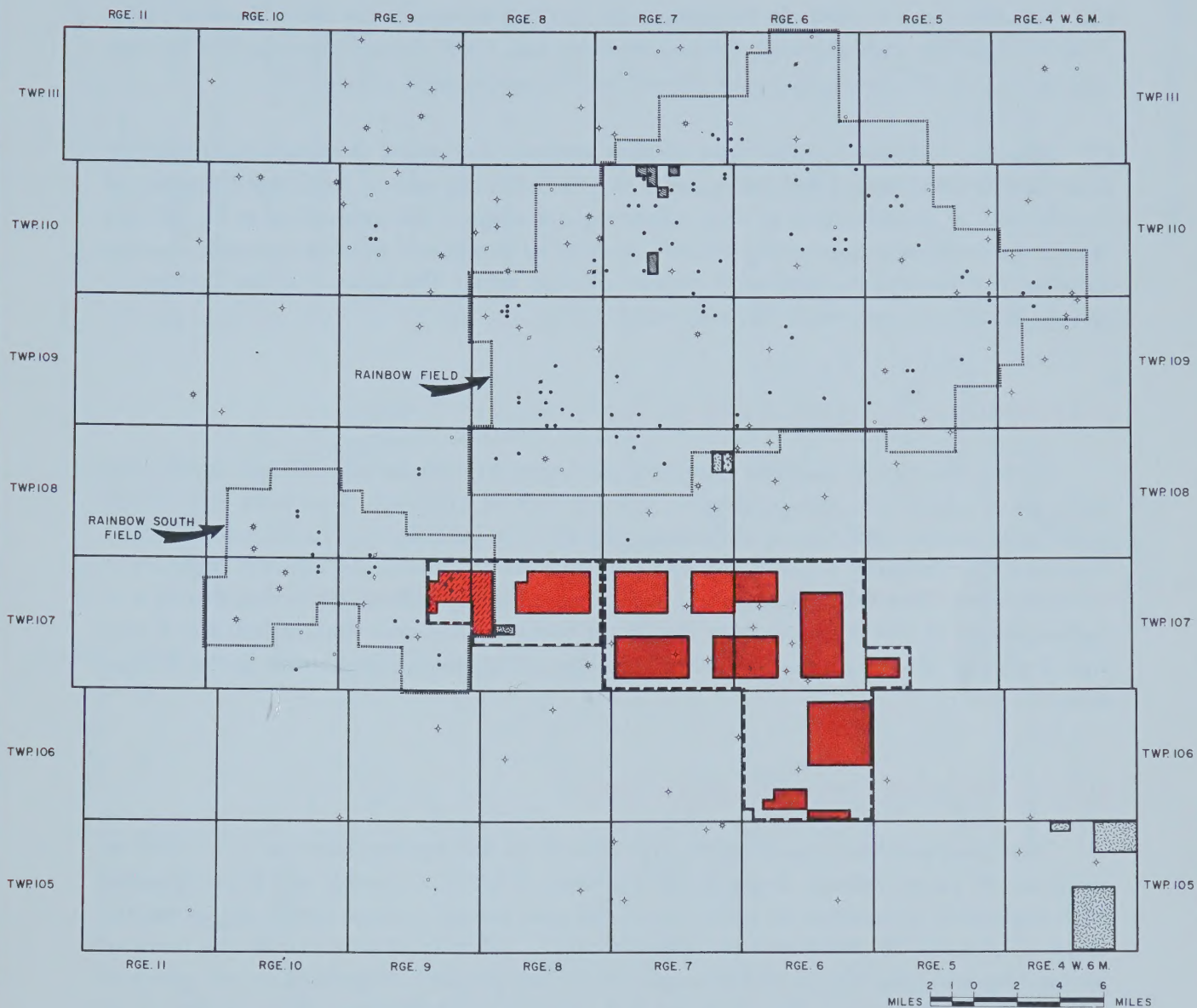
(1) Petroleum and natural gas permits comprising 260,212 acres in the Fish Creek area of the Northwest Territories were farmed out to Mic Mac Oils (1963) Ltd. for \$65,053, reserving a gross overriding royalty of 2½%.

(2) Petroleum and natural gas reservations comprising 186,240 acres in the Margaret Lake area of northern Alberta were farmed out to Canadian Superior Oil Ltd. in 1965 under an agreement providing that Canadian Superior would expend the minimum sum of \$285,000 in seismic operations and in the drilling of one deep test well to earn a 50% working interest in the lands. During the current year the Company sold one-half of its interest in this agreement to French Petroleum Company of Canada Limited for \$225,025. The deep test well committed by Superior was drilled and abandoned.

(3) During the current year Home Oil Company Limited exercised its option to purchase petroleum and natural gas reservations comprising 47,360 acres in the Caribou Mountains and Cameron Hills areas of northern Alberta and paid the Company \$142,080 in cash plus the reservation of a 3% gross overriding royalty interest. Home Oil has completed an extensive seismic survey over the lands but no announcement has been made concerning their plans for drilling operations.

(4) In the Fort Providence area of the Northwest Territories farmout agreements were negotiated with Northern Oil Explorers Ltd., Mobil Oil Canada, Ltd. and Shell Canada Limited involving a total of 656,984 acres contained in petroleum and natural gas exploration permits. Under the terms of these agreements cash payments aggregating \$139,152 were received in addition to the reservation of a 2½% gross overriding royalty. Mill City received \$34,788 and 5/8% overriding royalty for its 25% interest in the permits.

(5) Effective March 1, 1967 the Company sold its small interest (0.3289%) in the Cross-field Cardium Unit No. 1 for the cash sum of \$14,482 which your management considered to be in the best interests of the Company inasmuch as current returns from this investment indicated that it would require upwards of eight years to yield the above mentioned cash sale price without the application of a present worth discount factor.



RAINBOW LAKE AREA ALBERTA

- DYNAMIC HOLDS 10% G.O.R.R. (23,840 ACRES). 50% INTEREST IN THESE LEASES TO BE RETURNED TO DYNAMIC IN 24 MONTHS, ADDITIONAL 25% INTEREST TO BE RETURNED IN 48 MONTHS.
- DYNAMIC HOLDS 6% G.O.R.R. (10,080 ACRES). 50% INTEREST IN THESE LEASES TO BE RETURNED TO DYNAMIC IN 24 MONTHS, ADDITIONAL 25% INTEREST TO BE RETURNED IN 48 MONTHS.
- DYNAMIC HOLDS 3% G.O.R.R. IN LEASE (3,840 ACRES) AND 3% G.O.R.R. IN PRODUCING WELLS.
- DYNAMIC TO RECEIVE 3% G.O.R.R. ON ANY CROWN LANDS ACQUIRED BY PAN AMERICAN AND/OR MOBIL OIL DURING A PERIOD OF $4\frac{1}{3}$ YEARS FROM THE DATE OF SETTLEMENT (31,840 ACRES)

NOTE - G.O.R.R. - GROSS OVERRIDING ROYALTY.

- NEW CONTINENTAL, DYNAMIC AND CONSOLIDATED EAST CREST PURCHASED 1/3 INTEREST EACH ON AUGUST 1, 1967 FOR \$527,928-00. THREE WELLS DRILLED AND PRODUCING. ONE MORE WELL PLANNED FOR NEAR FUTURE.
- NEW CONTINENTAL, DYNAMIC AND CONSOLIDATED EAST CREST PURCHASED 1/3 INTEREST EACH ON JANUARY 30, 1968 FOR \$330,000-00. THREE WELLS PLANNED FOR THIS SUMMER.
- NEW CONTINENTAL, DYNAMIC, CONSOLIDATED EAST CREST, MILL CITY AND ROYAL CANADIAN VENTURES - 20% INTEREST EACH.
- MILL CITY PETROLEUMS LIMITED - 50%
- MILL CITY PETROLEUMS LIMITED - 100%

APRIL, 1968

(6) Effective June 1, 1967 the Company sold its 1/6th interest in the E½ of Section 27-46-7 W5M, together with the well Ashland Pembina No. 10-27 located thereon, for the cash sum of \$3,560. This transaction was entered into for purposes of salvage only.

(7) Effective October 5, 1967 the Company assigned its interest in twenty-eight exploration permits comprising 1,848,905 acres in the Hudson's Bay area to Aquitaine Company of Canada Ltd. in consideration of their refunding our original fees amounting to \$7,000 and replacing our deposits aggregating \$92,445 covered by guaranteed promissory notes, thereby reducing our contingent liability in respect of such notes. The balance of the Company's acreage in this area was surrendered to the Crown.

EXPLORATORY DRILLING OPERATIONS

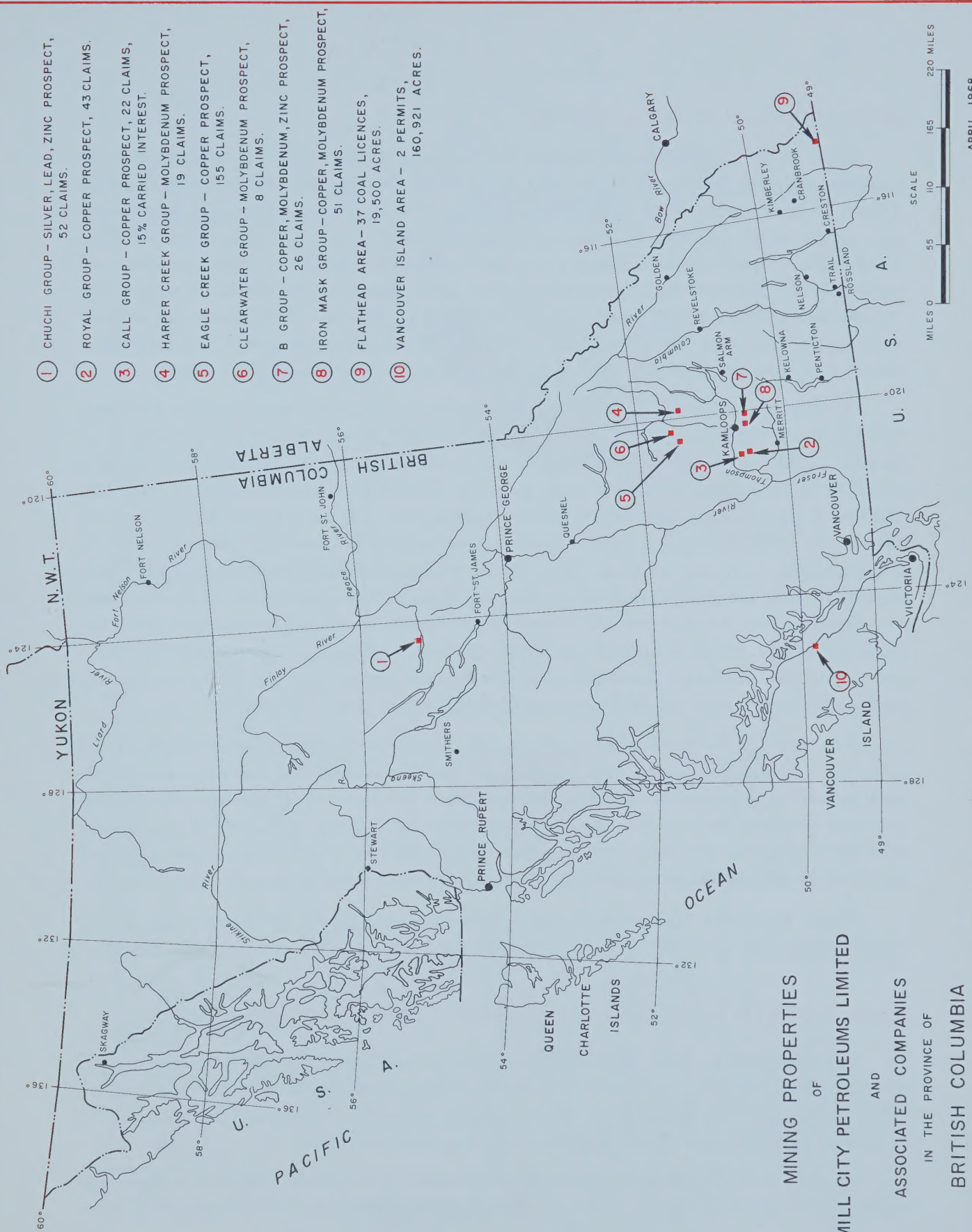
During the current year the Company participated in the drilling of eight exploratory wells, all of which were non-productive, at a net cost of \$109,419. Two wells were drilled in Alberta, namely, Mill City et al Cadotte 7-16-85-17-5, pursuant to a farmout from British American Oil Company Limited and Mill City et al Steele Lake 2-10-65-25-W4, pursuant to a farmout from Sun Oil Company. Six wells were drilled and abandoned in the Province of Saskatchewan of which five wells in the South Saskatchewan area were included in a nine well drilling program completed in 1968, resulting in two successful oil wells in the Willmar area.

BRITISH COLUMBIA MINING OPERATIONS

The Company has a one-seventh (1/7) interest in 262 mining claims and a 37 1/3% interest in 10 placer mineral leases in the Province of British Columbia and is participating with associated companies in geophysical and geochemical surveys which are in various stages of completion. Additional properties are being staked from time to time as a result of prospecting and other forms of field exploration. This program is operated for our group of companies by Royal Canadian Ventures Ltd. through an exploration office established in Kamloops, B.C.

On Vancouver Island the Company has a one-seventh (1/7) interest in approximately 161,000 acres of mineral lands which were acquired pursuant to an agreement entered into between Royal Canadian Ventures Ltd. and Canadian Pacific Oil & Gas Limited. A geochemical survey is now in progress over these properties for purposes of a preliminary evaluation.

The map on Page 5 of this report shows the location of the various mineral prospects in British Columbia.



SASKATCHEWAN URANIUM SURVEY

Early in 1967, Mill City and associated companies entered into an agreement with the Government of Saskatchewan, to conduct an extensive Uranium Exploration program in the Athabasca Sandstone area of Northern Saskatchewan. This is a large, relatively uninhabited area to the south and east of Lake Athabasca and Uranium City. Approximately 15,000 linear miles of traverses were flown using the Company's own aircraft with the latest and most modern Uranium detection equipment installed. The program continued throughout the summer and fall of that year and was suspended in October, 1967, when bad weather continued to make low level flying unsafe. The preliminary survey, however, was completed. New Continental Oil Company of Canada Limited was the Operator of this project.

To date, the results of the Uranium Exploration program are encouraging and support the Athabasca Sandstone theory. On November 30, 1967, New Continental Oil Company of Canada Limited on behalf of itself, Mill City and other associated companies, made application for five mineral exploration permits, totalling 960,000 acres. On December 1, 1967, the Denison group of companies, namely, Denison Mines Ltd., Roman Corporation and Goldray Mines Ltd., made application for five mineral exploration permits totalling 960,000 acres on trend and due northeast of those taken by New Continental and Associates. Great Plains applied for one permit (192,000 acres) adjoining those of New Continental on the southeast and between New Continental and Falconbridge Nickle Mines Ltd. Mokta (Canada) Ltd. made application for three mineral exploration permits totalling 576,000 acres on the northern part of the Athabasca Sandstone area. All of these permit areas are shown on the map on Page 7 of this report. All of the permits applied for have since been granted.

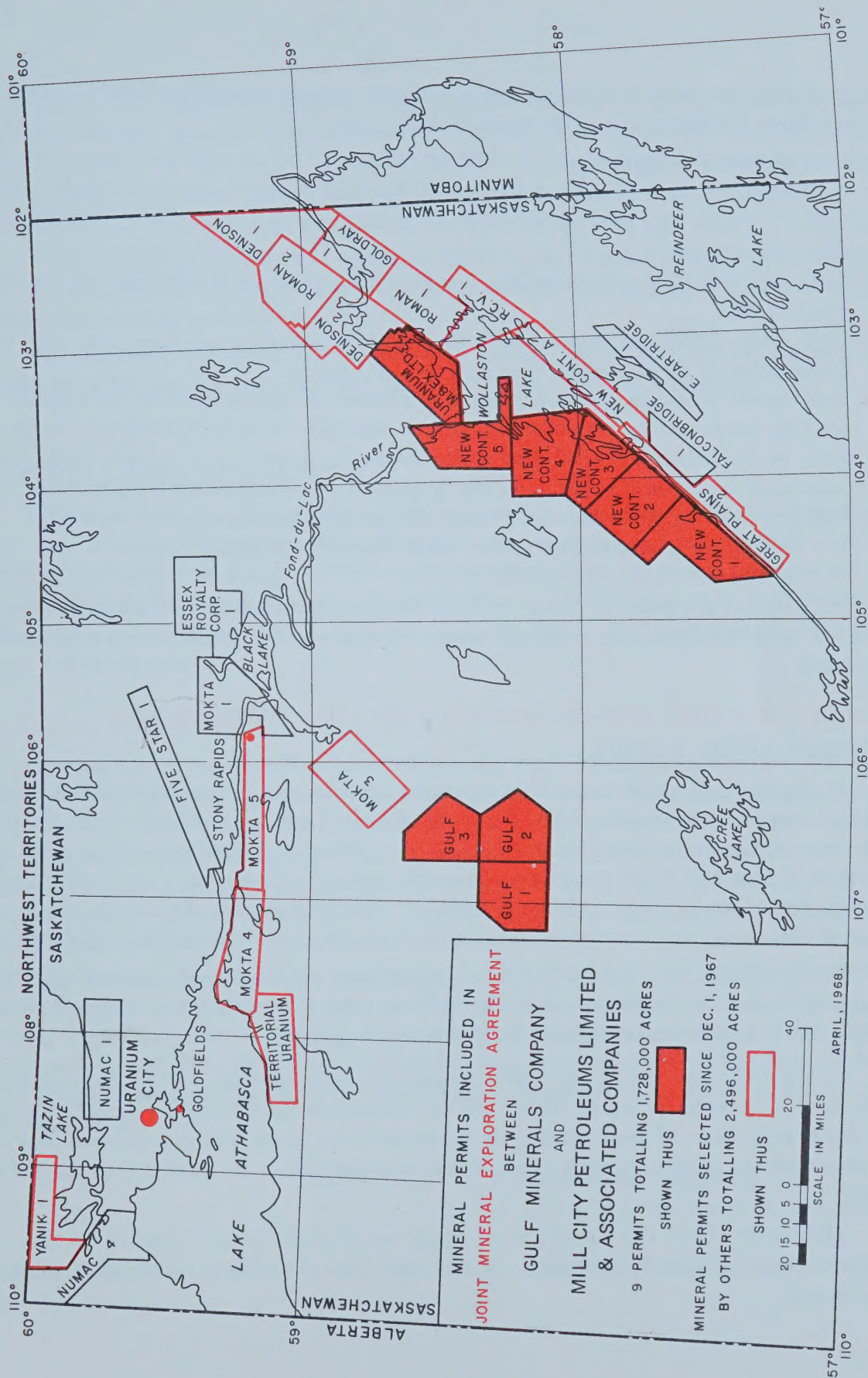
At this point, we would like to make it quite clear that the mineral exploration permits referred to herein, and which were acquired by New Continental Oil Company and Associates, as well as the other companies mentioned, give the holders the right not only to prospect for Uranium but for all minerals. Exploration work being conducted in the general area by others indicates the presence of base metals; therefore, our future exploration program will be designed to evaluate the permit lands for these minerals as well as for Uranium.

Seigel Associates Limited of Toronto have been retained by the group as Consulting Geophysicists, and have been mainly responsible for interpreting the results of the survey.

JOINT MINERAL EXPLORATION PROGRAM — SASKATCHEWAN

Since December, 1967, eight additional mineral exploration permits have been applied for and issued, totalling 1,536,000 acres in the same general area as those referred to previously herein. The location of these and all permits referred to herein, and the names of the respective permittees are shown on the map on Page 7 of this report.

Mill City and Associates have recently completed a joint mineral exploration agreement with Gulf Minerals Company, a wholly owned subsidiary of Gulf Oil Corporation, Pitts-



burgh, U.S.A., involving all of the mineral exploration permits of Mill City and Associates in the Athabasca Sandstone area of Northern Saskatchewan.

Under the terms of this agreement:

- Gulf acquired three additional mineral exploration permits which were then pooled with the six permits held by Mill City and Associates to give a total of 1,728,000 acres of pooled permits.
- Gulf paid Mill City and Associates a cash consideration exceeding their exploration costs to date.
- Gulf replaced deposits which had been posted by Mill City and Associates with the Government of Saskatchewan to guarantee performance.
- Gulf agreed, at its sole cost and expense, to explore the permit lands for the purpose of locating economically attractive deposits of minerals. If such deposits are found to exist in the lands, Gulf shall develop the deposits, construct and operate mines, concentrators and support facilities for the purpose of producing mineral concentrates.
- Mill City and Associates retained a substantial net profits interest as follows:
 - A 10% net profits interest until Gulf recovers its investment, and
 - A 20% net profits interest thereafter.

Preparations are presently being made by Gulf Minerals Company for an early start on its 1968 mineral exploration program, under the terms of the joint mineral exploration agreement.

EXPLORATION FOR, AND DEVELOPMENT OF, COAL DEPOSITS

PANTHER RIVER, ALBERTA

During the summer of 1966, Mill City entered into an agreement with Canadian Pacific Oil and Gas Limited covering 56,800 acres of potential coking coal lands in the Panther River area of Alberta. Following acquisition, a surface geological examination and an extensive test hole drilling and coring program was carried out. Large test pits were dug, bulk samples of coal were taken and sent to Japan and United States for analysis. As a result, a large deposit of bituminous coal was outlined with reserves in place estimated at 200,000,000 tons.

During the first six months of 1967, an agreement was negotiated between Mill City Petroleum Limited, Canadian Pacific Oil and Gas Limited, Mitsui & Co. Ltd. and Mitsui Mining Co. Ltd., wherein subsequent development was agreed to.

During 1967 several core test holes were drilled, outcrops were stripped and four adits were driven into separate seams. This work was carried out by Canadian contractors under the direct supervision of Mitsui Mining Co. personnel from Japan. This program was paid for by Mitsui Mining Company; their expenditures are estimated to be \$300,000 to the end of 1967.

The results of the 1967 program are as yet confidential, however, we can say that the property contains several more seams of mineable coal of excellent quality than initially anticipated.

During 1968 and 1969 a further program will be carried out to determine quantity of mineable reserves and such other information as is required to make a final feasibility study. Sufficient work will be done in this stage to establish an economic mining reserve.

FLATHEAD, B. C.

Your Company holds a 90% interest in 19,594 acres of coal leases in British Columbia and 5,085 acres on the Montana side of the border. Preliminary geological studies have been conducted on these lands during 1967.

An exploration program will be conducted during 1968 to determine the quality and thickness of known coal seams on these lands with some indication of reserves.

DEVELOPMENT

RAINBOW LAKE AREA, ALBERTA

Effective December 29, 1967, the Company purchased from Dynamic Petroleum Products Ltd. a working interest in three (3) petroleum and natural gas leases comprising 640 acres in Township 110, Range 7, W6M., together with three (3) successful Keg River reef oil wells drilled thereon, complete to the outlet valve of the Christmas tree, for the sum of \$400,000. One additional spacing unit remains to be drilled on this property. (see map on page 3 of this report)

GENERAL COMMENTS

Arising out of the consolidation of offices and staffs of all companies included in the chart accompanying this report whereon is indicated share ownership, interlocking directorate, etc., Mill City has been able to distribute overhead and general expenses on the basis of an adjusting formula having regard to the activities of the various companies and other relevant factors. This procedure has and will result in reduced overhead expenditures and in a more efficient operation enabling the Company to participate in an active exploration and development program in co-operation with associated companies. Furthermore, in order to diversify our exploration activity, the Company and its Associates have established a special projects department under competent personnel which has resulted in our participating in various projects outside of the oil and gas industry hereinbefore mentioned in this report. During the coming year our group of companies plans to continue and enlarge upon exploration programs towards the search for base metals in particular, to an extent consistent with our financial resources.

Respectfully submitted
on behalf of the Board of Directors,

ROGER D. PAUGH, President

Calgary, Alberta
May 21, 1968

December 31, 1967 (with

ASSETS

CURRENT

	1967	1966*
Cash	\$ 5,348	\$ 25,171
Accounts receivable	93,055	87,913
Prepaid expenses	—	350
Demand loan receivable	—	90,000
Government of Canada bonds - at cost (market value 1967 - \$16,331; 1966 - \$52,339)	21,774	60,797
	<u>120,177</u>	<u>264,231</u>

OTHER

Operating and performance deposits	58,018	39,131
Special refundable tax	1,822	1,374
Agreement for sale	3,735	3,795
	<u>63,575</u>	<u>44,300</u>

INVESTMENTS (Note 1)

Shares of other companies having a quoted market value, at cost:

	Market Value			
	1967	1966		
Dynamic Petroleum Products Ltd.	\$ 663,000	\$1,041,250	115,000	115,000
Royal Canadian Ventures Ltd.	277,200	312,000	261,760	160,000
Permo Gas & Oil Limited	1,463,207	1,707,074	2,255,777	2,255,777
Dynalta Oil & Gas Co. Ltd.	6,250	6,250	6,125	6,125
	<u>\$2,409,657</u>	<u>\$3,066,574</u>	<u>2,638,662</u>	<u>2,536,902</u>

Shares of and advances to subsidiary companies, at cost (advances

1967 - \$2,672; 1966 - \$994)	2,682	1,000
	<u>2,641,344</u>	<u>2,537,902</u>

PROPERTY, PLANT AND EQUIPMENT, at cost (Note 2)

Producing properties	1,099,347	816,343
Non-producing properties	301,866	245,252
Well development costs	1,296,512	1,377,727
Production equipment	500,443	464,070
Other equipment	208,316	192,307
	<u>3,406,484</u>	<u>3,095,699</u>
Less accumulated depletion (1967 - \$1,237,121; 1966 - \$1,240,627) and depreciation (1967 - \$512,739; 1966 - \$456,115)	1,749,860	1,696,742
	<u>1,656,624</u>	<u>1,398,957</u>
	<u>\$4,481,720</u>	<u>\$4,245,390</u>

See account

*1966 reclassified f

MEUMS LIMITED

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SHEET

parative figures for 1966)

LIABILITIES

CURRENT	1967	1966*
Bank loan, secured	\$ 425,100	\$ 100
Accounts payable and accrued liabilities	143,706	54,793
Demand note payable	—	500,000
	<u>568,806</u>	<u>554,893</u>

SHAREHOLDERS' EQUITY

Capital stock (Note 3):		
Shares of no par value. Authorized 6,000,000 shares; issued		
5,695,334 shares (1966 - 5,587,334)	2,072,866	2,056,666
Retained earnings	<u>1,840,048</u>	<u>1,633,831</u>
	<u>\$3,912,914</u>	<u>\$3,690,497</u>

CONTINGENT LIABILITIES (Notes 4 and 5)

Approved on behalf of the Board:

ROGER D. PAUGH, Director

R. C. BROWN, Director

\$4,481,720 \$4,245,390

ng notes.

parative purposes.

MILL CITY PETROLEUMS LIMITED

Calgary, Alberta

STATEMENT OF INCOME AND RETAINED EARNINGS

Year ended December 31, 1967

(with comparative figures for 1966)

REVENUE	1967	1966*
Crude oil and natural gas sales less royalties	\$ 423,204	\$ 427,024
Less production and processing costs	132,315	124,169
	<u>290,889</u>	<u>302,855</u>
Royalties	1,410	1,297
Interest	5,898	16,966
Other	678	4
	<u>298,875</u>	<u>321,122</u>
EXPENSE		
Administrative and general	152,538	139,851
Exploratory costs, lease rentals, etc.	108,491	132,394
Interest	5,849	57,168
	<u>266,878</u>	<u>329,413</u>
CASH EARNINGS (LOSS) FROM OPERATIONS	<u>31,997</u>	<u>(8,291)</u>
DEDUCT		
Depletion	101,963	100,213
Depreciation	66,404	70,928
Abandonments:		
Petroleum and natural gas and mining interests	8,437	16,481
Well development costs (dry holes)	109,419	4,436
	<u>286,223</u>	<u>192,058</u>
NET LOSS BEFORE THE FOLLOWING	<u>254,226</u>	<u>200,349</u>
OTHER CHARGES AND CREDITS		
Gain on sale of properties	462,924	92,473
Gain (loss) on sale of securities	(2,481)	1,508,040
Gain on sale of fixed assets	—	11,130
Options granted	—	53,800
	<u>460,443</u>	<u>1,665,443</u>
NET INCOME (Notes 5 and 6)	206,217	1,465,094
RETAINED EARNINGS, beginning of year	<u>1,633,831</u>	<u>168,737</u>
RETAINED EARNINGS, end of year	<u>\$1,840,048</u>	<u>\$1,633,831</u>

See accompanying notes.

*1966 reclassified for comparative purposes.

MILL CITY PETROLEUMS LIMITED

Calgary, Alberta

SOURCE AND APPLICATION OF FUNDS

Year ended December 31, 1967

(with comparative figures for 1966)

SOURCE OF FUNDS	1967	1966*
Cash earnings (loss) from operations	\$ 31,997	\$ (8,291)
Deduct gain (loss) on sale of Government of Canada bonds	(2,481)	7,371
Net funds from operations	29,516	(920)
Proceeds from shares issued pursuant to stock options granted	16,200	24,300
Proceeds from sale of properties	491,988	138,230
Proceeds from sale of securities	—	1,619,509
Proceeds from options granted	—	53,800
Other	460	5
	<u>538,164</u>	<u>1,834,924</u>
APPLICATION OF FUNDS		
Purchase of shares of Royal Canadian Ventures Ltd.	101,760	160,000
Purchase of shares of Permo Gas & Oil Limited	—	2,255,777
Investment in and advances to subsidiaries	1,682	290
Purchase of other securities	—	3,857
Special refundable tax	448	1,374
Increase in operating and performance deposits	18,887	39,131
Petroleum and natural gas and mining interests	390,840	122,697
Well development costs, including dry holes	117,310	15,306
Production equipment	51,712	30,477
Other equipment	13,492	101,047
	<u>696,131</u>	<u>2,729,956</u>
INCREASE IN WORKING CAPITAL DEFICIENCY	157,967	895,032
WORKING CAPITAL DEFICIENCY, beginning of year	290,662	(604,370)
WORKING CAPITAL DEFICIENCY, end of year	<u>\$ 448,629</u>	<u>\$ 290,662</u>

See accompanying notes.

*1966 reclassified for comparative purposes

MILL CITY PETROLEUMS LIMITED

Calgary, Alberta

NOTES TO FINANCIAL STATEMENTS

December 31, 1967

1. INVESTMENTS

The Company has two foreign subsidiary companies whose accounts have not been consolidated with those of the company because they have been relatively inactive since their acquisition and their assets are not significant. The subsidiary companies have had no profits or losses since dates of acquisition.

Due to the number of shares involved in the investments in other companies, the quoted market value is not necessarily indicative of the amount that could be realized if the shares were to be sold.

2. ACCOUNTING POLICY

The Company's policy is to capitalize the acquisition costs of petroleum and natural gas and mining interests together with drilling and development costs. Carrying costs and exploration expenses are charged against income as incurred. Acquisition costs of producing properties are depleted on a unit of production basis. Well development costs and production equipment are written off over the estimated productive life of the properties. The cost of non-producing properties and dry holes is charged against income in the year of abandonment.

3. EMPLOYEES' STOCK OPTIONS

During the year 108,000 shares were issued to directors for a cash consideration of \$16,200 pursuant to a stock option agreement. There are no further stock options outstanding.

4. CONTINGENT LIABILITIES

The Company has issued promissory notes, guaranteed by its bankers, as security for performance of certain work on petroleum and natural gas permits in the amount of \$77,358.

5. INCOME TAXES

The Company has filed its income tax returns on the basis that there are sufficient amounts deductible for drilling and exploration expenses to eliminate taxable income for the current and prior years. The Department of National Revenue has questioned the deductibility of certain drilling and exploration expenses applied against income of previous years. The Company does not anticipate that it will have to pay any income taxes in respect of this matter.

6. REMUNERATION OF DIRECTORS AND SENIOR OFFICERS

Included in general and administrative expense is an amount of \$44,475, being the Company's share of remuneration paid to directors and senior officers.

AUDITORS' REPORT

To the Shareholders of

Mill City Petroleums Limited

We have examined the balance sheet of Mill City Petroleums Limited as of December 31, 1967 and the statements of income and retained earnings and source and application of funds for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion, these financial statements present fairly the financial position of the company at December 31, 1967 and the results of its operations and the source and application of its funds for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

PEAT, MARWICK, MITCHELL & CO.
Chartered Accountants

Calgary, Alberta
March 14, 1968

MILL CITY PETROLEUMS LIMITED
Calgary, Alberta
ACREAGE HOLDINGS AT DECEMBER 31, 1967

PRODUCING		WORKING	
P. & N. G. LEASES		INTEREST	
	ACREAGE	%	
Alberta			
Bonnyville	1,280	100.	
Hussar	3,840	43.125	
Hussar	1,920	14.375	
Hussar	1,760	27.5	
Innisfail	320	1.	Net Royalty
Joffre	80	.9375	g.o.r.
Leduc	320	100.	
New Norway	160	20.	
New Norway	160	40.	
Pembina	320	1.	g.o.r.
Rainbow	480	25.	
Turner Valley	40	11.5	g.o.r.
Turner Valley	40	4.	g.o.r.
Saskatchewan			
	10,720		
Hoosier	790	10.	
Midale	79	50.	
Manitoba			
	869		
Scallion	320	25.	
UNITIZED			Tract
Alberta			Factor
Harmatton Elkton Unit No. 1	160	12.5	0.1087
Innisfail Leduc Reef Unit	80	15.	0.1595
Joffre Viking Sand Unit - Seg. A	440	12.5	2.47568
Kessler Viking Gas Unit (N.G.)	9,760	12.5)	
Kessler Viking Gas Unit (N.G.)	12,960	18.75)	
Kessler Viking Gas Unit (P.&N.G.)	2,238	20.)	11.5884
Kessler Viking Gas Unit (P.&N.G.)	160	25.)	
Kessler Viking Gas Unit (P.&N.G.)	160	33.333)	
Leduc D-2 B	160	50.	5.1454
Turner Valley Unit No. 3	60	100.	0.239963
Turner Valley Unit No. 5	40	66.66)	
Turner Valley Unit No. 5	40	40.)	0.3153
Turner Valley Unit No. 7	362	100.	3.92563
Wainwright Unit No. 6	80	50.)	
Wainwright Unit No. 6	20	8.337)	8.14216
NON-PRODUCING		26,720	
P. & N. G. LEASES			
Alberta			
Genesee	640	100.	
Jenner	32,431	10.	
Joffre	280	12.5	
Kessler	641	18.75	
Kessler	1,282	20.	
Kessler	2,570	23.4375	
Lochend	320	25.	
Lochend	1,600	25.	(Deep-rights)
Lochend	320	12.5	(Deep-rights)
Muriel Lake	320	100.	
Pembina	1,248	16.6666	
Rainbow	160	25.	
Rainbow Lake	320	100.	
Rainbow Lake	320	50.	
Rainbow South	320	20.	
Steele Lake	640	20.	
Stony Plain	320	100.	
Turner Valley	4,360	100.	
Wainwright	320	100.	
Wainwright	120	50.	
Wainwright	160	25.	
Wayne-Rosedale	2,480	12.5	
		51,172	

MILL CITY PETROLEUMS LIMITED
Calgary, Alberta
ACREAGE HOLDINGS AT DECEMBER 31, 1967

	ACREAGE	WORKING INTEREST %	
Saskatchewan			
Arcola	200	100.	
Arcola, N. W.	800	33.333	
Auburnton.	160	33.333	
Loomis	3,840	16.666	
Nottingham	640	33.333	
Parkman	320	16.666	
Pinto	240	17.5	
	<u>6,200</u>		
N. G. LEASES			
Alberta			
Jenner	17,779	10.	
Kessler	2,613	12.5	
Kessler	7,071	18.75	
	<u>27,463</u>		
P. & N. G. RESERVATIONS, PERMITS OR LICENCES			
Alberta			
Haig River.	12,160	100.	
Margaret Lake	186,240	25.	
	<u>198,400</u>		
East Coast Off-Shore			
St. Lawrence Basin	2,320,673	66.666	
Arctic			
Arctic Islands.	100,735	0.6	
	3,869,880	5.9044	
	160,415	4.2328	(Farmout Panarctic)
	<u>4,131,030</u>		
England	40,960	100.	
P. & N. G. RESERVATIONS, PERMITS OR LICENCES - ROYALTY			
INTEREST % G.O.R.			
Alberta			
Birch Mountain	99,880	0.75	
Buffalo Head Hills.	30,720	1.5	
Cameron Hills.	20,480	3.	
Caribou Mountains	631,040	2.5	
Caribou Mountains	26,880	3.	
Caribou Mountains	199,680	1.5235	
High Level	99,840	0.9375	
Legend Lake	139,520	2.5	
	<u>1,248,040</u>		
Saskatchewan			
Green Lake	92,160	1.5	
Green Lake	276,480	3.	
Quill Lake	368,801	2.5	
	<u>737,441</u>		
North West Territories			
Fish Lake	260,212	2.5	
Fort Providence	1,233,942	0.625	
Fort Providence	61,920	2.5	
	<u>1,556,074</u>		
P. & N. G. LEASES - ROYALTY			
Alberta			
Chigwell	1,280	2.	
Hines Creek	1,280	2.	
	<u>2,560</u>		
Saskatchewan			
Pinto	240	1.3125	
Pinto	640	0.4375	
	<u>880</u>		

g.o.r. represents gross overriding royalty

MILL CITY PETROLEUMS LIMITED
Calgary, Alberta
ACREAGE HOLDINGS AT DECEMBER 31, 1967

MINERAL INTERESTS		WORKING INTEREST %
Saskatchewan		
Athabasca Sandstone Mineral Exploration Permits	960,000 acres	14.2857
British Columbia		
Mineral Claims	262 claims	14.2857
Placer Mineral Leases	10 leases	37.333
Mineral Exploration Permits - Vancouver Island	160,921 acres	14.2857
Flathead Coal Licences	19,594 acres	90.
Alberta		
Lake Isle Coal Exploration Permit	7,040 acres	100.
Panther River Coal Exploration Permits	56,960 acres	50.
Montana, U. S. A.		
Flathead Coal Prospecting Permit	5,085 acres	90.

LAND HOLDINGS SUBJECT TO FARMOUT AGREEMENTS
AT DECEMBER 31, 1967

Locality	Acres	Farmed out to	Interest Retained
<u>Alberta</u>			
Birch Mountains	98,880	Imperial Oil Enterprises Ltd.	3/4% g.o.r.
Caribou Mountains	485,120	Imperial Oil Enterprises Ltd.	2½% g.o.r.
Caribou Mountains	245,760	California Standard Company	1½%-2½% g.o.r.
Caribou Mountains	99,840	Mobil Oil Canada, Ltd.	2½% g.o.r.
Legend Lake	139,520	Imperial Oil Enterprises Ltd.	2½% g.o.r.
Buffalo Head Hills	30,720	Amerada Petroleum Corporation	1½% g.o.r.
Caribou Mountains	47,360	Home Oil & Banff Aquitaine	3% g.o.r.
High Level	99,840	Imperial Oil Enterprises Ltd.	.9375% g.o.r.
Margaret Lake	186,240	Canadian Superior - French Petroleum	25% working interest
<u>Saskatchewan</u>			
Quill Lake - Saskatoon	368,801	Shell Oil Company of Canada	2½% g.o.r.
Green Lake	276,480	Berkley Oil and Gas Limited	3% g.o.r.
Green Lake	92,160	Berkley Oil and Gas Limited	1½% g.o.r.
<u>Northwest Territories</u>			
Fort Providence	61,920	Imperial Oil Enterprises Ltd.	2½% g.o.r.
Fort Providence	457,350	Imperial Oil Enterprises Ltd.	5/8% g.o.r.
Fort Providence	119,608	Chevron Standard Limited	5/8% g.o.r.
Fort Providence	208,450	Mobil Oil Canada, Ltd.	5/8% g.o.r.
Fort Providence	329,584	Northern Oil Explorers Ltd.	5/8% g.o.r.
Fort Providence	118,950	Shell Canada Limited	5/8% g.o.r.
Fish Lake	260,212	Mic Mac Oils (1963) Ltd.	2½% g.o.r.

g.o.r. represents gross overriding royalty.

DYNAMIC PETROLEUM PRODUCTS LTD.
 AUTHORIZED CAPITAL: 10,000,000 shares of no par value
 ISSUED: 7,571,632, of which
 44% { 425,000 are owned by Mill City Petroleums Limited
 1,025,000 are owned by New Continental Oil
 Company of Canada Limited
 *1,880,124 are owned by Dynamic Voting Trust and
 Directors
 TOTAL NUMBER OF SHAREHOLDERS — 5,380
 DIRECTORS: Frank Brown Archibald Park Newall Jr.
 Robert Clive Brown Roger D. Paugh

ROYAL CANADIAN VENTURES LTD.
 AUTHORIZED CAPITAL — 5,000,000 shares of no par value
 ISSUED: 4,400,723, of which
 57% { 1,700,000 are owned by Dynamic Petroleum
 Products Ltd.
 792,000 are owned by Mill City Petroleums Limited
 TOTAL NUMBER OF SHAREHOLDERS — 1,370
 DIRECTORS: Archibald Park Newall Jr. Robert Clive Brown
 Frank Brown

MILL CITY PETROLEUMS LIMITED
 AUTHORIZED CAPITAL — 6,000,000 shares of no par value
 ISSUED: 5,695,334, of which
 41% { 1,068,854 shares are owned by Royal Canadian
 Ventures Ltd.
 1,193,939 shares are owned by Dynamic Petroleum
 Products Ltd.
 75,000 shares are owned by Consolidated East
 Crest Oil Company Limited
 TOTAL NUMBER OF SHAREHOLDERS — 4,548
 DIRECTORS: Roger D. Paugh
 Frank Brown Archibald Park Newall Jr.
 Robert Clive Brown Archibald Park Newall Sr.

PERMO GAS AND OIL LIMITED
 AUTHORIZED CAPITAL — 20,000,000 shares of no par value
 ISSUED: 13,127,276, of which
 6,096,694 shares or 46% are owned by
 Mill City Petroleums Limited
 TOTAL NUMBER OF SHAREHOLDERS — 3,800
 DIRECTORS: Robert Clive Brown
 Archibald Park Newall Jr.
 Frank Brown

CONSOLIDATED EAST CREST OIL COMPANY LIMITED
 AUTHORIZED CAPITAL — 5,000,000 shares of no par value
 ISSUED: 1,599,174, of which
 1,271,338 shares or 79% are owned by
 Permo Gas & Oil Limited
 TOTAL NUMBER OF SHAREHOLDERS — 1,468
 DIRECTORS: Robert Clive Brown
 Archibald Park Newall Jr.
 Frank Brown

**NEW CONTINENTAL OIL COMPANY OF CANADA
 LIMITED**
 AUTHORIZED CAPITAL: 10,000,000 shares of no par value
 ISSUED: 6,040,000, of which
 3,452,433 shares or 57% are owned by
 Permo Gas & Oil Limited
 TOTAL NUMBER OF SHAREHOLDERS — 2,577
 DIRECTORS: Robert Clive Brown
 Archibald Park Newall Jr.
 Frank Brown

* Principal members of the Dynamic Voting Trust who are also Directors of the Company, and their respective holdings of shares of Dynamic as of February 29, 1968, are as follows:

Frank Brown	529,597 shares
Robert Clive Brown	477,072 shares
Archibald Park Newall Jr.	475,422 shares

(This chart effective as of February 29, 1968)

